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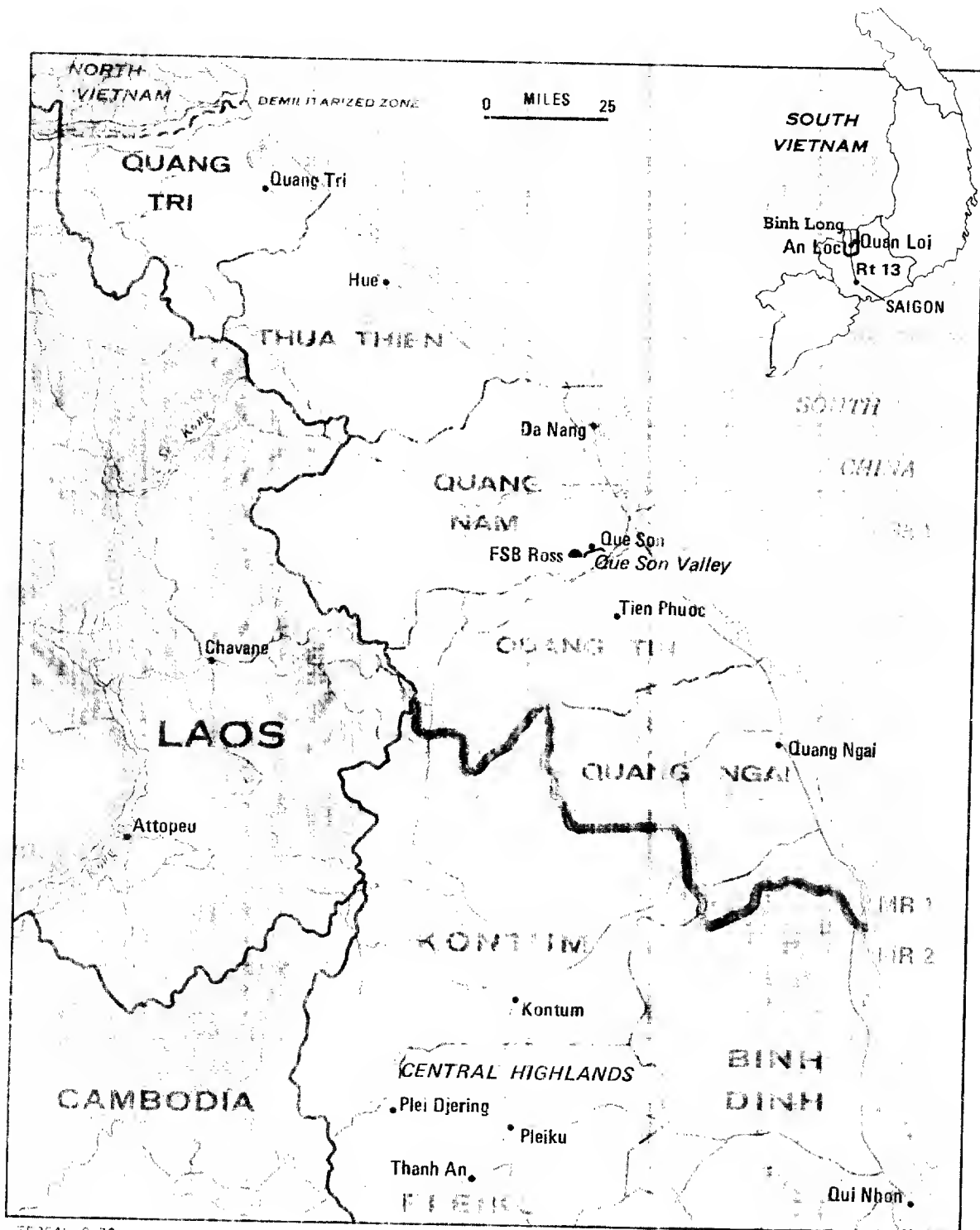
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SOUTH VIETNAM: Government troops apparently made little progress in their counter-offensives over the weekend, and the Communists stepped up the fighting in the central highlands.

In the Que Son Valley, the government has regained control of Que Son district town but has not been able to clear several pockets of resistance from it. South Vietnamese forces also report that they have moved to within a few hundred yards of Fire Support Base Ross, but it remains in enemy hands. Government forces moving west on the ridge-line north of Que Son have made no progress. [REDACTED]

[REDACTED]

[REDACTED] the 711th Division is engaged in a major resupply effort, suggesting that fighting will continue in this area.

In an apparent effort to divert South Vietnamese forces from the Que Son area, Communist troops attacked Tien Phuoc district town and a number of government outposts in Quang Tin Province. The enemy was pushed back, with both sides suffering light casualties, but several battalions of government troops were pulled out of the Que Son area and sent into Quang Tin Province to reinforce South Vietnamese positions.

In Quang Tri Province, South Vietnamese Marines clashed frequently with the Communists in the heaviest fighting of the weekend. Most of the action took place along the northern and southern approaches to Quang Tri City. The Communists pounded South Vietnamese positions with several thousand rounds of mortar and artillery fire.

In Binh Long Province, the government's drive north from An Loc is making little progress. There

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There were several sharp clashes near Quan Loi on Sunday; the South Vietnamese reported killing nearly 150, while government losses were light.

The Communists launched their heaviest attacks in more than two months in the central highlands when they assaulted the Plei Djereng Ranger camp west of Pleiku on Saturday and Sunday. The Communists fired more than 1,000 rounds of mortar and artillery shells into the camp. Late reports indicate the camp has been overrun. Enemy forces also attacked government positions around Thanh An. Prisoners captured in the recent fighting near Pleiku indicate the North Vietnamese 320th Division is involved. It shifted south from Kontum Province several weeks ago, and its presence in the Pleiku area suggests there will be more heavy fighting in the area.

Military action in the rest of the country was light throughout the weekend.

* * * *

25X1 The Communists apparently have ordered an increase in military activity in South Vietnam for October, in spite of major weaknesses in their capabilities. [redacted]

[redacted] the Central Office for South Vietnam (COSVN) has issued recent instructions to its subordinates that outline Communist objectives in South Vietnam during September and October.

25X1 [redacted] the instructions specify October as the decisive month of the 1972 offensive. During October, Communist main forces are to lead a surge of military activity designed to force the US and South Vietnamese governments to grant concessions at Paris prior to the US

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presidential elections and to move the "revolution" into a new political stage by the end of the year. The instructions also reportedly emphasize that American prisoners are the most valuable commodity the Communists hold because it is the prisoner issue primarily that will eventually force the US to accept a political settlement of the war. In this regard, the new directives specify that it is better to capture one American than to kill 30. Communist cadre and troops are cautioned to guard all US prisoners closely to prevent their escape or death.

Other major aspects of the instructions include specific tasks that the main and local forces are to carry out to accomplish Communist goals. Basically, COSVN's main forces are to use their artillery and sapper units to attack South Vietnamese defenses protecting Saigon, as well as large US and government bases in the hope of tying down the South Vietnamese and preventing them from launching counterattacks into "liberated" areas. Viet Cong local forces are tasked with the job of assassinating government officials so that the government's administrative organization will be weakened at the lowest levels.

The new instructions also provide direction to Viet Cong cadre, who are told to recruit new members actively and to penetrate legal organizations, in order to be in position to manipulate the populace following a cease-fire.

The new instructions also appear to include a large measure of exhortation for the cadre to commit themselves more fully to carrying out the policies of the party central committee. COSVN was reportedly well aware of the grave difficulties it faced. To compensate partially for the manpower shortages at all levels, COSVN echoed the party central committee's call for "every party member to make his greatest effort to carry out this decision and be willing to die for the party." Low-level cadre were also admonished for questioning policies and directives of higher authorities.

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NORTH VIETNAM: Premier Pham Van Dong, in a major address, has offered one of the most comprehensive statements of the Communists' negotiating position since the Paris talks resumed in mid-July.

In his traditional National Day speech on 2 September, the Hanoi official repeated sweeping demands for a complete US withdrawal from South Vietnam, an end to US support for the Saigon government, and "respect for the South Vietnamese people's right to self-determination." His elaboration of some of these points was unusual, however. In discussing the meaning of "self-determination," for instance, he omitted two items which are usually broached in this context: nowhere did he mention the long-standing Communist demand for President Thieu's resignation, nor did he refer to the elections which the Communists have consistently demanded under a so-called coalition "government of national concord." He did repeat the call for such a coalition, but of its function he said only that its members would "together share the enormous, imperative, and complex tasks to which the people of various strata are urging a solution." This vague treatment of a critical issue suggests that the Communists might be flexible on the details of political change in Saigon, once the basic outlines have been agreed on.

Dong sharpened his language considerably when dealing with the issue of US troop withdrawal and US support for the Saigon regime. He clearly indicated, for instance, that Hanoi has only the US "military commitment" in mind when it calls for a halt of US support for Saigon. Moreover, he left no doubt that in pressing for an end to US involvement, Hanoi would insist that the US cease its "air, naval, and other military activities" in both the north and the south, in addition to withdrawing its ground forces from South Vietnam. Dong did not mention the US presence elsewhere in Indochina.

On the timing of a settlement, there is at least a hint in Dong's speech, as in other recent North Vietnamese statements, that some kind of solution could be reached merely on the basis of a US

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Endorsement in principle of Communist demands. In one passage--which Radio Hanoi's international service repeated for emphasis--Dong said that "a fundamental and stable solution of the Vietnam issue must affirm" the principles he enumerated. The phrasing may be designed to suggest that the US can achieve some sort of preliminary agreement with the Communists simply by signifying agreement to a total troop withdrawal, US respect for "South Vietnamese determination" and the like, and that Hanoi would be willing to postpone the haggling over details.

Any analysis such as this, based solely on overt North Vietnamese statements, must be highly tentative. In particular it imputes a high degree of precision to a speech, which obviously includes some casual holiday boilerplate. Moreover, there are a good many other themes in Dong's address, including large doses of fighting rhetoric that are anything but conciliatory. It does seem noteworthy, however, that along with such breast-beating Dong sets out Hanoi's demands in such a way as to suggest flexibility on some issues.

In one respect Dong's speech seems unambiguous. In the section dealing with the support Hanoi has received from the Communist world, he went about as far as etiquette permits on such a formal occasion in signaling his dissatisfaction with Hanoi's Communist backers in general, and with Moscow and Peking in particular. In his rendering of Hanoi's customary statement of gratitude, he took a decidedly pro-forma line, lumping the "socialist" countries together with "all the world's people." Although he did express "greetings" to the Soviet Union and China, he did not single them out for special thanks, as Hanoi generally has in the past on such occasions. Dong then went on to inform Hanoi's patrons that, given the contributions of the Vietnamese Communists to the proletarian revolution, Hanoi is "all the more entitled" to ask its allies to "fulfill their international duty."

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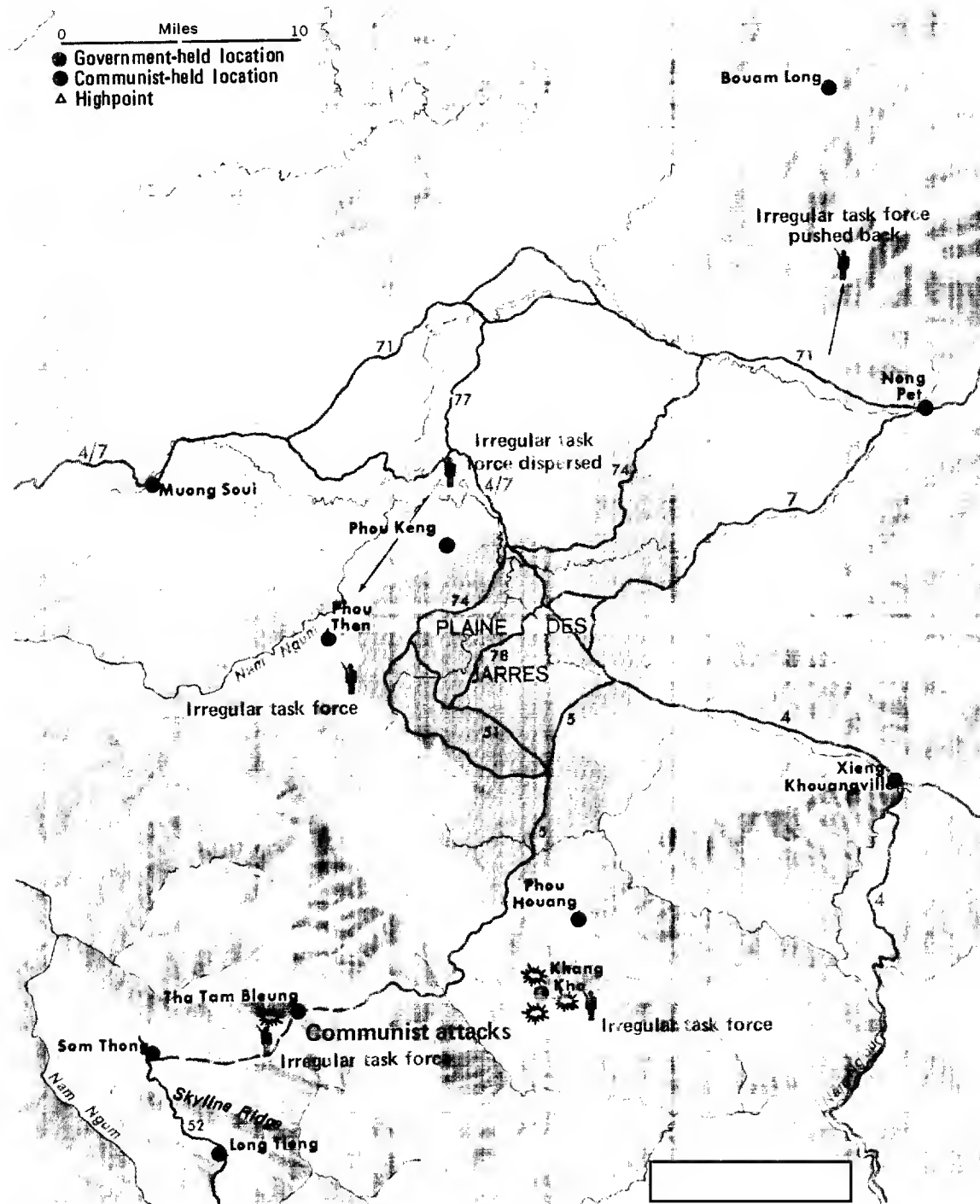
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LAOS: PLAINE DES JARRES AREA



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LAOS: The government's offensive in the north has suffered some sharp setbacks.

In the most serious reversal, heavy North Vietnamese ground attacks and shellings dispersed the irregular task force that had been operating north of the Plaine des Jarres. Thus far, some 600 to 700 troops from this force have worked their way to other irregular positions near the Plaine's western edge. Most of them have since been evacuated. Other irregular forces assigned to this group reportedly are continuing to filter back to friendly lines in the same area. Almost all of them evidently will need some medical treatment.

Northeast of the Plaine, the irregular task force from Bouam Long--it had been advancing toward Communist supply lines near Nong Pet--has also encountered stiff opposition. Three of its battalions pulled back late last week in the face of heavy Communist attacks. At last report, however, the task force commanders indicated that they were still determined to move toward their objectives.

The Communists are also keeping the pressure on the two irregular task forces operating south of the Plaine. In the past few days, North Vietnamese units have launched ground attacks against and sporadically shelled elements of the task force located in the Tha Tam Bleung sector. The irregulars have managed to hold their positions, however. Elements of the other southern task force, which is in the vicinity of Phou Houang, had several clashes on 3 September. Two battalions were forced out of their positions and withdrew slightly to the south to regroup.

The weather continues to have a crucial effect on Vang Pao's current campaign. Bad weather prohibited any extensive air support for the ill-fated northern irregular task force; it also hindered resupply missions. Conditions have since improved, however, and 105 air strikes were conducted on 3 September in support of irregular units deployed around the Plaine.

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URUGUAY: The recapture of Raul Sendic, Tupamaro founder and leader, may signal the demise of the extremist organization as a major Latin American terrorist group.

According to an official release, Sendic was seized early Friday and hospitalized following a gun battle with police in which he was shot in the face. He had been captured in August 1970 and escaped from Punta Carretas prison in the mass breakout on 10 September 1971. Although Sendic has been rumored at various times to be hiding in Chile, he reportedly attempted to arrange a truce with Uruguayan security officials a couple of months ago.

The Uruguayan Government has not released recent figures on the total number of Tupamaros captured, but it is well over 1,300, including most of the organization's leaders. With the exception of a few assassinations, the Tupamaros have not launched a major operation since 14 April, when the "state of internal war" was declared. It appears that their organizational capability has been permanently hurt. [REDACTED]

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DENMARK - EUROPEAN COMMUNITIES: Government leaders in Copenhagen now share the deep concern of their Norwegian counterparts that their countries may reject entering the Communities in referenda to be held within a month.

Two events are primarily responsible for the Danish Social Democratic government's new concern. At a 28-29 August seminar for Copenhagen trade union leaders, a vote against entering was averted only by the strong language of government leaders, including Prime Minister Krag. The meeting followed release of a Gallup poll that demonstrated support for joining had slipped from 46 to 41 percent in August.

The poll also indicated that a negative vote in Norway's advisory referendum on 24-25 September would result in an even split among Danish voters in their referendum on 2 October. Although only a simple majority is required in the Norwegian balloting, a poll in July showed 45 percent against, 35 percent for, and 20 percent undecided. Three fourths of parliament must then approve membership before it becomes law. Unless voters deliver a clear-cut mandate, say 60 or 65 percent, it is unlikely parliament will do so. The Danish vote is binding on parliament. The issue will be defeated if more than 30 percent of all registered voters veto entry and if this figure exceeds the number voting in favor.

Norwegian Prime Minister Bratteli has indicated his minority Labor government will resign if the vote goes against entry. Most Norwegians would like to avoid the chaos of a government change, preferring to await the next scheduled elections in 1973; there is no provision in the Norwegian constitution for calling early elections. Nevertheless, anti-EC members of the Center, Liberal, and Christian Peoples parties reportedly met early in the summer to discuss formation of a shadow cabinet, in the event the Bratteli government resigns.

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In Copenhagen last week, Prime Minister Krag admitted that he has drafted two speeches to report the referendum vote to parliament, pro or con. Although indicating the issue would not be considered a vote of confidence, he said the thought of having to use the negative-vote speech gave him "weak knees."

Neither government has addressed the problem of a long-term economic solution in the event the referenda are negative. Krag said that a Nordic Economic Union was out of the question, and a free-trade agreement with the EC was a very poor alternative. Presumably this would also be true for Norway.

Some observers feel that the summer lull, with many parliamentary supporters of entry on vacations, probably contributed to the leveling-off in support, which had showed steady growth through the spring. Feverish campaigning between now and the referenda is certain to increase the number in favor, and US Embassy observers point out that Scandinavian voters rarely repudiate their governments' policies. [REDACTED]

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COSTA RICA: Costa Rica has withdrawn in effect from the Central American Common Market by imposing protectionist trade measures against its Market trading partners.

On 1 September, Costa Rica announced it will apply its two-tiered exchange rate to other Market members, thus placing them on an equal basis with non-Market countries. The decision underlines Costa Rica's firmness in its long effort to reduce imports and to stabilize its balance-of-payments deficit. It could signal the demise of the Market, however, and pose a serious threat to Central American integration. Honduras has not participated in the Market since the summer of 1969; Costa Rica's withdrawal would leave a three-country Market that probably would not prove viable.

The Common Market, long the shining example of Latin American integration, has suffered hard times in the last three years. Numerous trade inequities continue to be dealt with in an ad hoc manner, signifying the need for fundamental structural change. The Central American commitment to integration may still be strong enough to surmount this latest shock. Indeed, it may prove to be the catalyst needed to force an attempt at basic change and at the revitalization of the Market.

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